

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4136-07
BILL NO.: Perfected HS for HCS for HB 1762
SUBJECT: Agriculture and Animals; Economic Development; Taxation and Revenue
TYPE: Original
DATE: April 19, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue*	(\$287,214)	(\$1,554,898)	(\$1,261,212)
Missouri Agricultural Products Marketing Development	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds*	(\$287,214)	(\$1,554,898)	(\$1,261,212)

* Subject to Appropriation

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Neighborhood Assistance Program and Missouri agricultural marketing;

In response to similar legislation from this year, officials from the **Department of Economic Development (DED)** stated this would allow Neighborhood Assistance Program tax credits for new generation coops and promote sales of value-added products. The DED assumed this proposal would have no fiscal impact on their agency.

The **Department of Agriculture (AGR)** states this proposal would improve consumer awareness of and preference for Missouri-produced or processed agriculture products. The AGR assumes that in order to accomplish the directives outlined in the proposal, the Market Development Division will need an additional two FTE, along with appropriate monies for equipment and expenses and development of a web site. The AGR assumes the need for one (1) Agriculture Promotion Specialist (at \$27,468 annually) and one (1) Program Coordinator (at \$40,536 annually) to be company and distributor contacts, perform promotion and product identification, conduct consumer surveys, create and submit statewide promotional ideas, development of matching funds program and administration of an e-commerce site.

The AGR also could not provide an estimate of how much revenue would be generated from the Producer's Choice trademark fees.

In response to similar legislation from this year, officials from the **Department of Revenue** anticipated an increase in the number of neighborhood assistance credits, however, the increase is unknown. The Division of Taxation, Personal Tax Bureau, will need one temporary tax season employee (a cost of \$6,067) for every 130,000 credits filed with this credit (key entry) and one Tax Processing Tech I for every 2,000 credits claimed (processing). The Personal Tax Bureau will also need one Tax Processing Tech I for every 30,000 additional errors generated. The Division of Taxation, Business Tax Bureau, will need one Tax Processing Tech I for every 3,680 credits received.

Oversight assumes the Department of Revenue could request additional FTE to process the additional tax credits if the need arises, but for purposes of this fiscal note, the DOR is assumed to have no additional costs from this proposal.

In response to similar legislation from this year, officials from the **Office of Secretary of State (SOS)** assumed there would be costs due to additional publishing duties related to the Department of Agriculture's authority to promulgate rules, regulations, and forms. The SOS

ASSUMPTION (continued)

estimates the division could require approximately 28 new pages of regulations in the Code of State Regulations at a cost of \$26.50 per page, and 42 new pages in the Missouri Register at a cost of \$22.50 per page. Costs due to this proposal is estimated to be \$1,687, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes the part of the proposal that expands NAP credits would not have a fiscal impact on the state since the Neighborhood Assistance Program credits are capped and this would only add a different clientele to be eligible to receive the credits. Oversight also assumes the General Assembly would appropriate \$1,300,000 in FY 2002 and \$1,000,000 in FY 2003 to the Missouri Agricultural Products Marketing Development Fund. Oversight also assumes the revenue generated from the Producer's Choice trademark fees would be unknown and the Department of Agriculture would spend the entire appropriations and trademark fee revenues in those years on the two FTE required for this proposal as well as promotional expenditures and e-commerce expenses.

Farmland Protection Act;

In response to similar legislation from this year, officials from the **State Tax Commission**, the **Department of Conservation**, the **Department of Economic Development**, the **Department of Natural Resources**, and the **Department of Agriculture** each assumed no fiscal impact to their respective agencies from the proposal.

In response to similar legislation from this year, the **Holt County Commission** assumed this would decrease revenue to water districts and would have fiscal impact. Officials did not estimate the amount of fiscal impact.

In response to similar legislation from this year, officials of the **Highland Water District #2** assumed no fiscal impact from this proposal.

In response to similar legislation from this year, officials from **Metropolitan St. Louis Sewer**

ASSUMPTION (continued)

District assumed this would create additional costs to them because it would be more costly to secure easements, but could not determine the amount.

Oversight assumes this part of the proposal changes general law regarding public utilities and lands that are located in un-platted areas and used for agriculture or residential purposes or both. Oversight assumes that public utility companies and local governments will have a delay in recovering costs of running utilities into affected areas. Oversight assumes that local governments will have to consider not being able to recover costs of expanding services when crossing vacant farmlands. With exception to Public Water Supply Districts, Oversight assumes the act of expanding services into agricultural areas to be discretionary. Oversight assumes the costs of abeyance of costs to be (unknown).

Organic Farming;

In response to similar legislation from this year, officials from the **Department of Economic Development (DED)** stated this would require the Department of Agriculture to develop standards for organic farming and expands neighborhood assistance to include farmer's markets. It appears to allow "for profit farmers markets" to qualify for NAP tax credits.

The DED assumed the program revisions to allow "for profit" farmers markets to qualify for NAP credits can be incorporated with existing staff. No fiscal impact is anticipated by the DED because the NAP credits are capped at a set amount.

In response to similar legislation from this year, officials from the **Department of Agriculture (AGR)** stated this would require them to certify organic producers (farmers) to enable them to label, advertise and sell their produce, commodities, etc. as organic products. The AGR stated this proposal will enable organic growers to sell their products at more retail locations, such as farmers markets, grocery stores, etc. It will provide a niche market for them and possibly a better price for their products. It will also encourage increased production of organic acres and will encourage a direct market from organic producers to consumers and/or other organic producers or processors.

The AGR stated there are approximately 2,000 organic producers in Missouri and the potential number would likely increase with state certification. The AGR assumed this will require record keeping, inspection, etc. To administer this proposal, the AGR assumed the need for one Program Coordinator (at \$40,536 annually) and four Field Inspectors (each at \$32,952 annually).

The Program Coordinator will be responsible for administering this program, developing organic standards and carrying out these standards to certify Missouri organic producers. The inspectors will be responsible for on site inspection of organic producers and would be housed at regional

ASSUMPTION (continued)

offices.

The AGR states that the same Program Coordinator requested for the Producer's Choice labeling program could not also coordinate the Missouri organic producers program and have requested two separate positions.

In response to similar legislation from this year, officials from the **Department of Revenue (DOR)** anticipated an increase in the number of neighborhood assistance credits. However, the increase is unknown. The Division of Taxation, Personal Tax Bureau, will need one temporary tax season employee (a cost of \$6,067) for every 130,000 credits filed with this credit (key entry) and one Tax Processing Tech I for every 2,000 credits claimed (processing). The Personal Tax Bureau will also need one Tax Processing Tech I for every 30,000 additional errors generated. The Division of Taxation, Business Tax Bureau, will need one Tax Processing Tech I for every 3,680 credits received.

Oversight assumes the expanded eligibility of NAP credits will not have a fiscal impact on the state since the credits are capped and this proposal would only add a different clientele to be eligible to receive these credits. Oversight assumes the Department of Agriculture would not need additional rental space for the 7 FTE requested. Oversight also assumes the 2 FTE required to implement the Producer's Choice program would be funded from the Missouri Agricultural Products Marketing Development Fund.

FISCAL IMPACT - State Government

FY 2001	FY 2002	FY 2003
(10 Mo.)		

GENERAL REVENUE FUND

Costs - Appropriation to Missouri agricultural
products marketing development fund

\$0	(\$1,300,000)	(\$1,000,000)
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—SUBJECT TO APPROPRIATION—

Costs - Department of Agriculture

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Certification of Organic Farms			
Personal Service (5 FTE)	(\$147,152)	(\$181,069)	(\$185,596)
Fringe Benefits	(\$45,249)	(\$55,679)	(\$57,071)
Expense and equipment	(\$94,813)	(\$18,150)	(\$18,545)
Total <u>Costs</u> - AGR	(\$287,214)	(\$254,898)	(\$261,212)

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
(continued)	(10 Mo.)		

ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(\$287,214)	(\$1,554,898)	(\$1,261,212)
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**MISSOURI AGRICULTURAL PRODUCTS
MARKETING DEVELOPMENT FUND**

<u>Income</u> - Transfer from the General Revenue Fund	\$0	\$1,300,000	\$1,000,000
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<u>Income</u> - Fees from usage of Producer's Choice trademark	\$0	unknown	unknown
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<u>Costs</u> - Department of Agriculture			
Personal Service (2 FTE)	\$0	(\$71,447)	(\$73,233)
Fringe Benefits	\$0	(\$21,970)	(\$22,519)
Expense and Equipment	\$0	(\$79,919)	(\$25,674)
Total <u>Costs</u> - Department of Agriculture	\$0	(\$173,336)	(\$121,426)

<u>Costs</u> - other expenditures for the promotion of Producer's Choice program	\$0	(unknown)	(unknown)
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ESTIMATED NET EFFECT TO THE MISSOURI AGRICULTURAL PRODUCTS MARKETING DEVELOPMENT FUND	\$0	\$0	\$0
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<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		

Costs to Local Governments

RAS:LR:OD:005 (9-94)

Abeyance of cost of utility services (Unknown) (Unknown) (Unknown)

FISCAL IMPACT - Small Business

A fiscal impact to business that make contributions to neighborhood organizations as well as small agricultural businesses could be expected as a result of this proposal.

DESCRIPTION

This proposal permits new generation cooperatives formed in Missouri to participate in the Neighborhood Assistance Act.

Organizations which perform community service or economic development activities are permitted to qualify as neighborhood organizations under the act by contributing to the construction of a building used to sell agricultural food products produced in Missouri by members of a new generation cooperative, but are limited to \$2.5 million in tax credits for fiscal years 2002 through 2006. Under the act, business firms making contributions to neighborhood organizations receive tax credits.

The proposal also changes the marketing program currently known as AgriMissouri to "Producer's Choice". It also creates the "Missouri Agricultural Products Marketing Development Fund" to market and promote products of Missouri. The proposal calls appropriation of \$1.3 million for fiscal year 2002, \$1.0 million in fiscal year 2003, and \$750,000 in fiscal year 2006 to use for purposes of Missouri agricultural products marketing development.

The proposal creates, within the Department of Agriculture, the Citizens' Advisory Commission for Marketing Missouri Agricultural Products. This commission shall establish guidelines for the spending by the Marketing Division of the department, and will focus on the promotion of the Producer's Choice Missouri agricultural products as well as other agriculture marketing advancement initiatives.

The commission shall also establish a fee structure for sellers electing to use the producer's choice (or successor trademark) associated with Missouri agricultural products. The fee structure will be one-half of one percent of the aggregate amount of all the seller's wholesale sales of products carrying the trademark. The commission may also create two additional trademark labels to be associated with Missouri agricultural products which are certified organic products and certified family farm produced products.

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The commission will be comprised of nine members, with specified experiences in marketing and farming. The commission members shall receive no compensation but shall be reimbursed for actual and necessary expenses.

The Marketing Division of the Department of Agriculture is also to develop a web site to foster the marketing of value added agriculture products over the internet.

Added as an amendment to the proposal was the Farmland Protection Act.

DESCRIPTION (continued)

The purpose of the Farmland Protection Act is to protect agricultural, horticultural, and forestry land; promote continued economic viability; promote quality of life; and protect farmlands which are properly managed from negative impacts.

This proposal protects rural land owners of more than 10 acres from connection fees and assessments for water and sewer services until such time as improvements on their land would be connected for service. This proposal sets forth procedures that would be followed, including the charges required of the land owner once service is desired. Rural land of more than 10 acres cannot be taken by eminent domain unless after a public hearing pursuant to chapter 610, RSMo.

The proposal also requires the Department of Agriculture to develop standards and labeling for organic farming.

This legislation is not federally mandated, would not require additional capital improvements or rental space, and does not duplicate any programs already in place.

SOURCES OF INFORMATION

Department of Economic Development
Department of Agriculture
Department of Revenue
Secretary of State's Office
State Tax Commission
Missouri Department of Conservation
Department of Natural Resources
Holt County Commission
Highland Water District #2
Metropolitan St. Louis Sewer District

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A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
April 19, 2000